

**FICPI 16TH OPEN FORUM
SESSION 8.3
NON-LAWYER OWNERSHIP OF IP FIRMS**

**TAKING STOCK:
EXPERIENCES FROM 15 YEARS
AS PART OF A PUBLICALLY
LISTED COMPANY**



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OVERVIEW

- How and why we listed
- Operating as a listed company
- Why would you take your firm public?
- Outlook



OUR MARKET LISTING



MURGITROYD FLOATED IN 2001

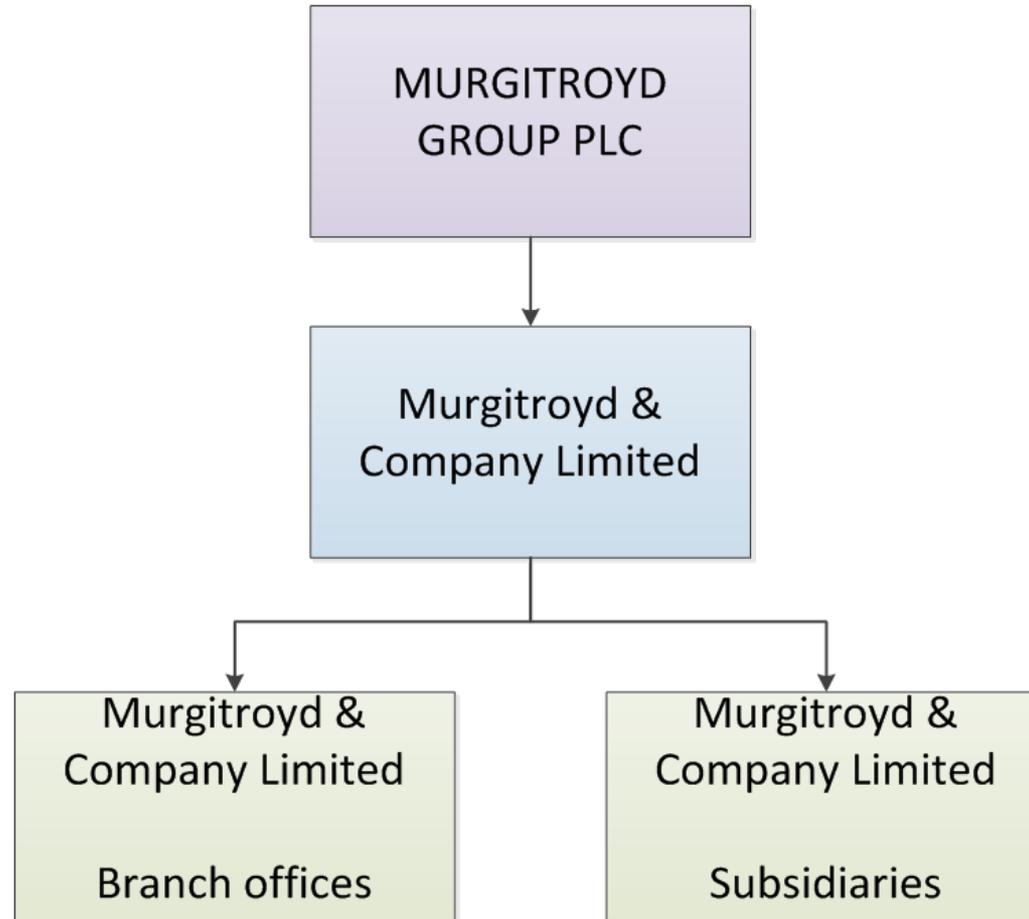
- What did that mean?
 - Listing company formed:
 - Murgitroyd Group PLC
 - Share capital created
 - Investor fundraising
 - Murgitroyd Group PLC floated



London
Stock Exchange



CORPORATE STRUCTURE





PLC BOARD COMPOSITION



* - UK & European Patent Attorneys

** - UK Chartered Accountant



FUNCTION OF THE PLC BOARD

- Represents shareholder's interests
- Corporate governance
- Approves strategy and growth targets of operating business



ROLE OF NON-EXECUTIVE DIRECTORS

- Check and challenge
- Ensure delivery of corporate strategy and financial performance
- Monitor performance of the Executive team
- Key roles in the Audit, Remuneration, Nomination and Risk Board sub-committees
- Experience and perspective



KEY CONSIDERATIONS OF LISTING

- Ownership and management are split
- The management team runs the business
 - (Not the shareholders)
- Anyone can buy shares



WHO OWNS MURGITROYD GROUP PLC?

- Murgitroyd Family owns 35% majority holding
- 4 institutional investment houses
 - 3-10% holding
- Many private investors with small stock holdings



INVESTOR INFLUENCE?

- Investors buy into:
 - Growth story
 - Your track record
 - Prospects for the sector
- Limited reach through into day-to-day operations
- Investors can remove Executive Directors from the PLC Board, if performance or conduct is not satisfactory
- The threat of Investor Activism



SHARE PRICE





OPERATING COMPANY

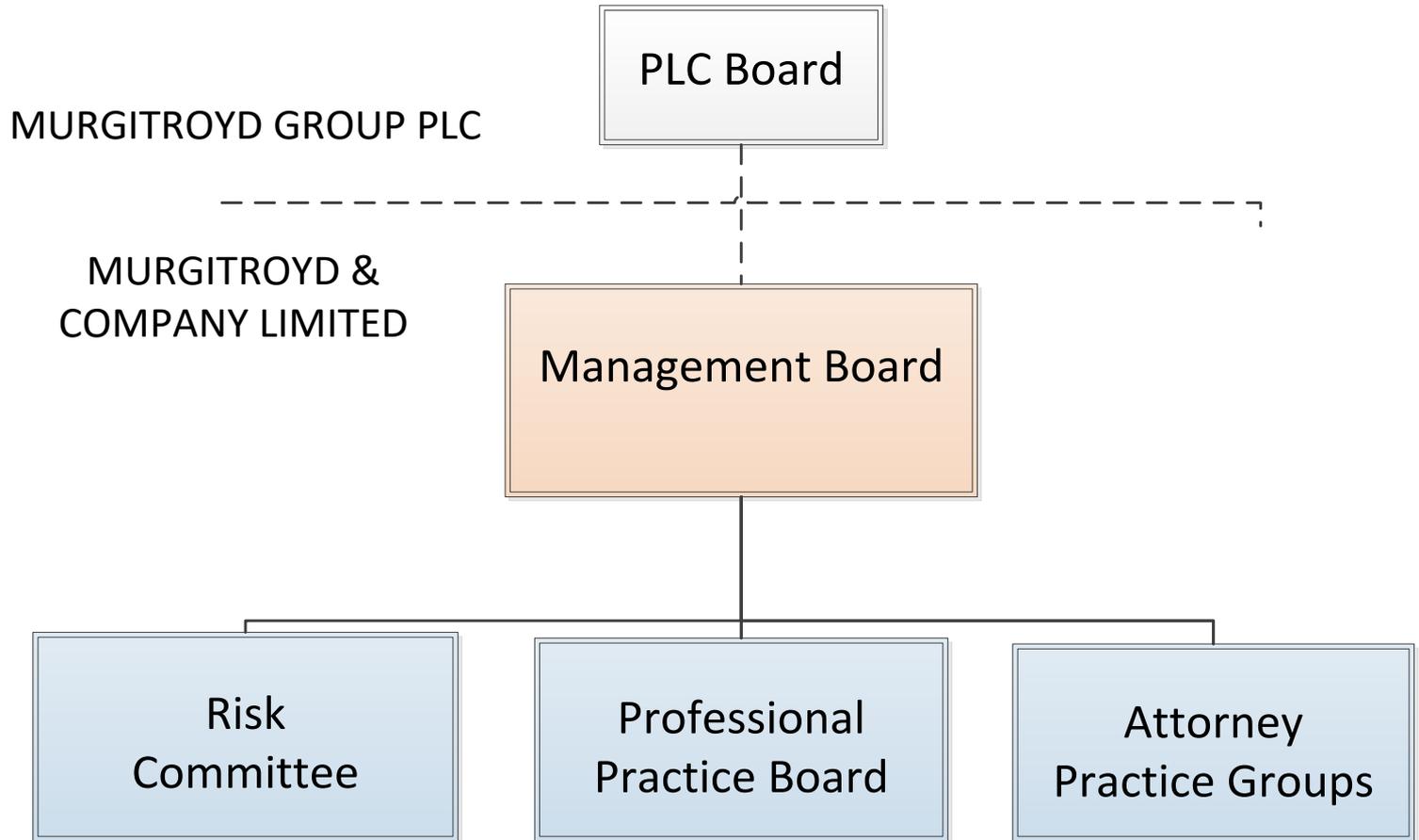


THE OPERATING COMPANY BOARD

- Runs the Patent & Trade Mark business
- Reports to the PLC Board
- All Directors are UK Patent Attorneys

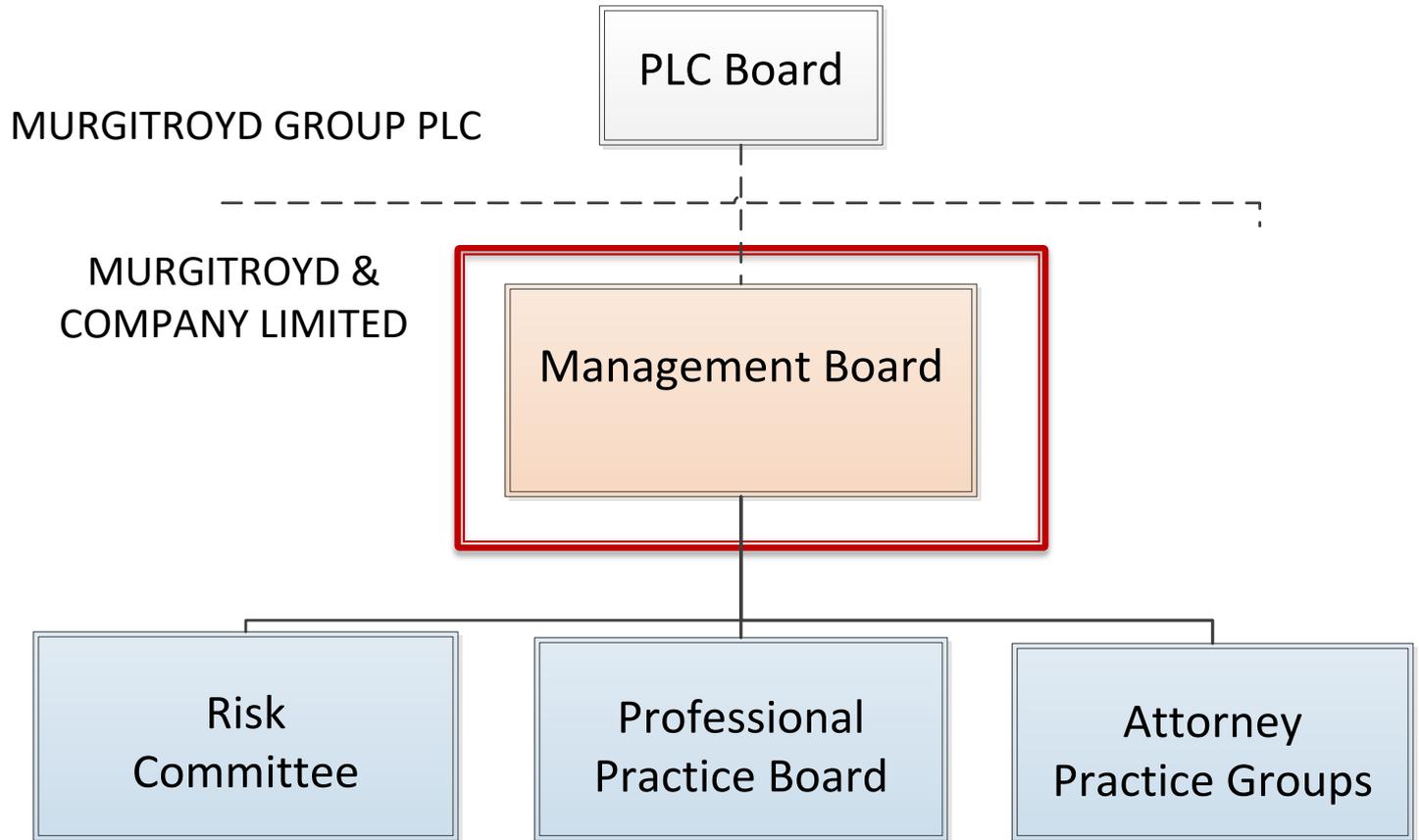


OPERATING COMPANY - STRUCTURE



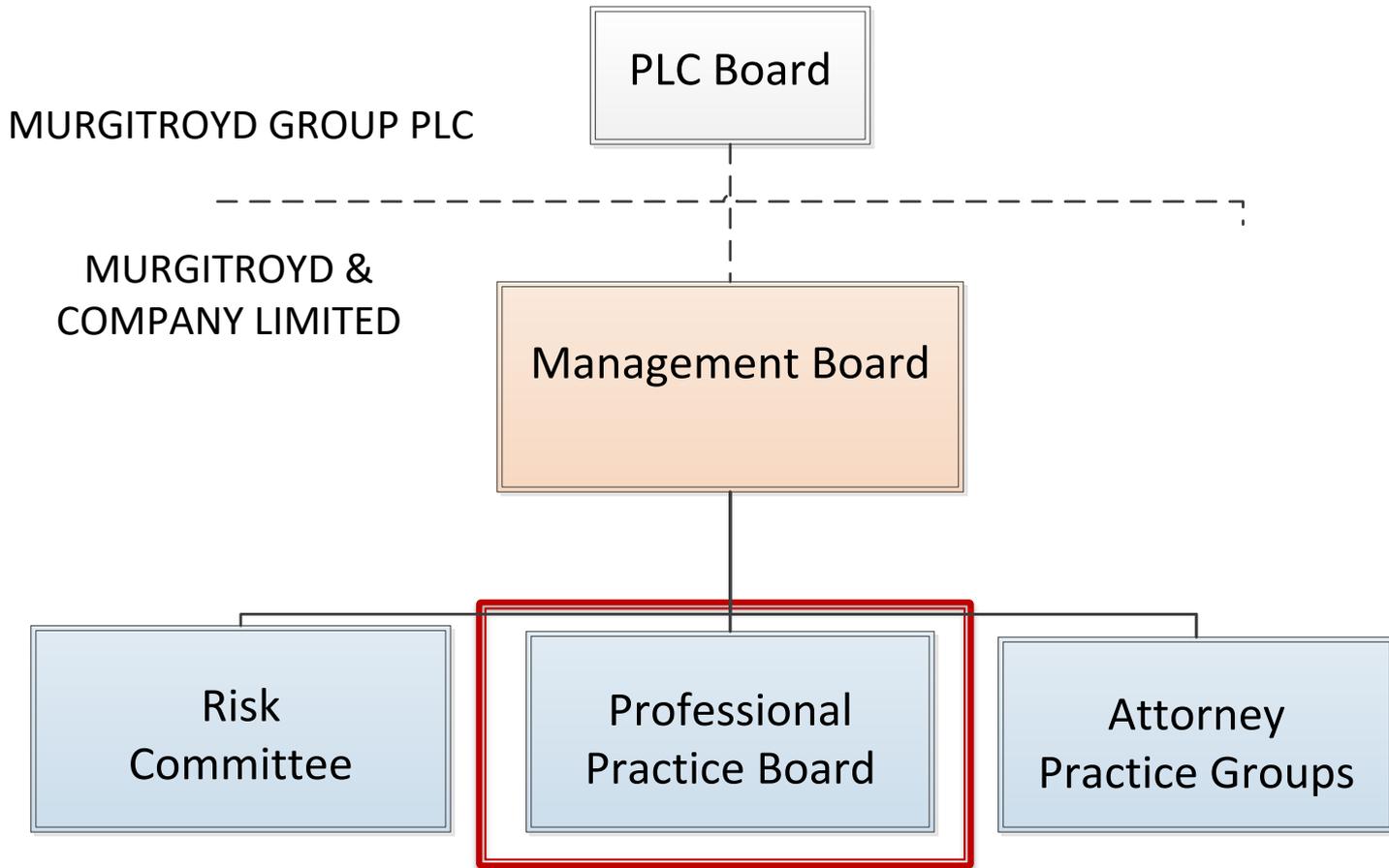


MANAGEMENT BOARD



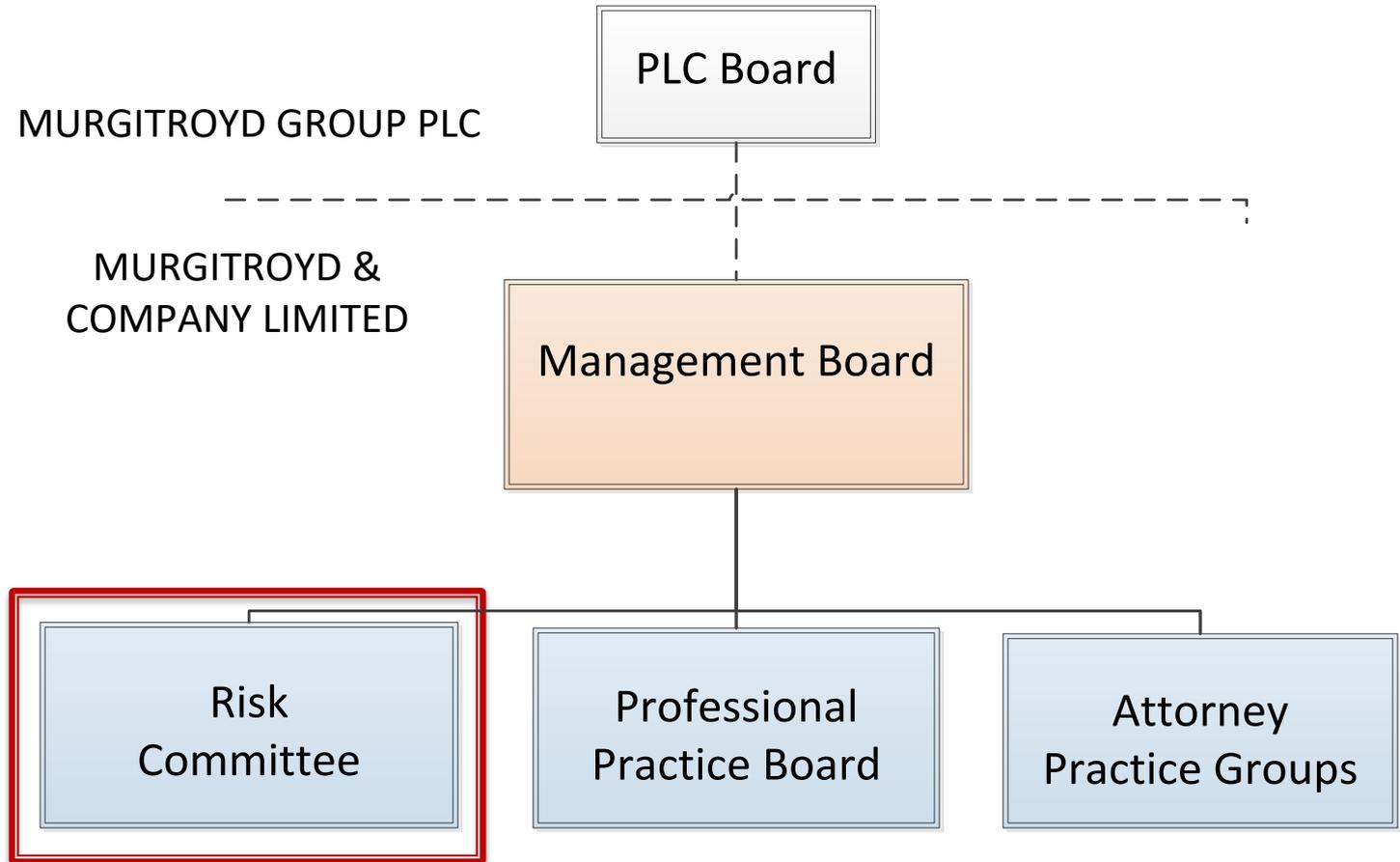


PROFESSIONAL PRACTICE BOARD



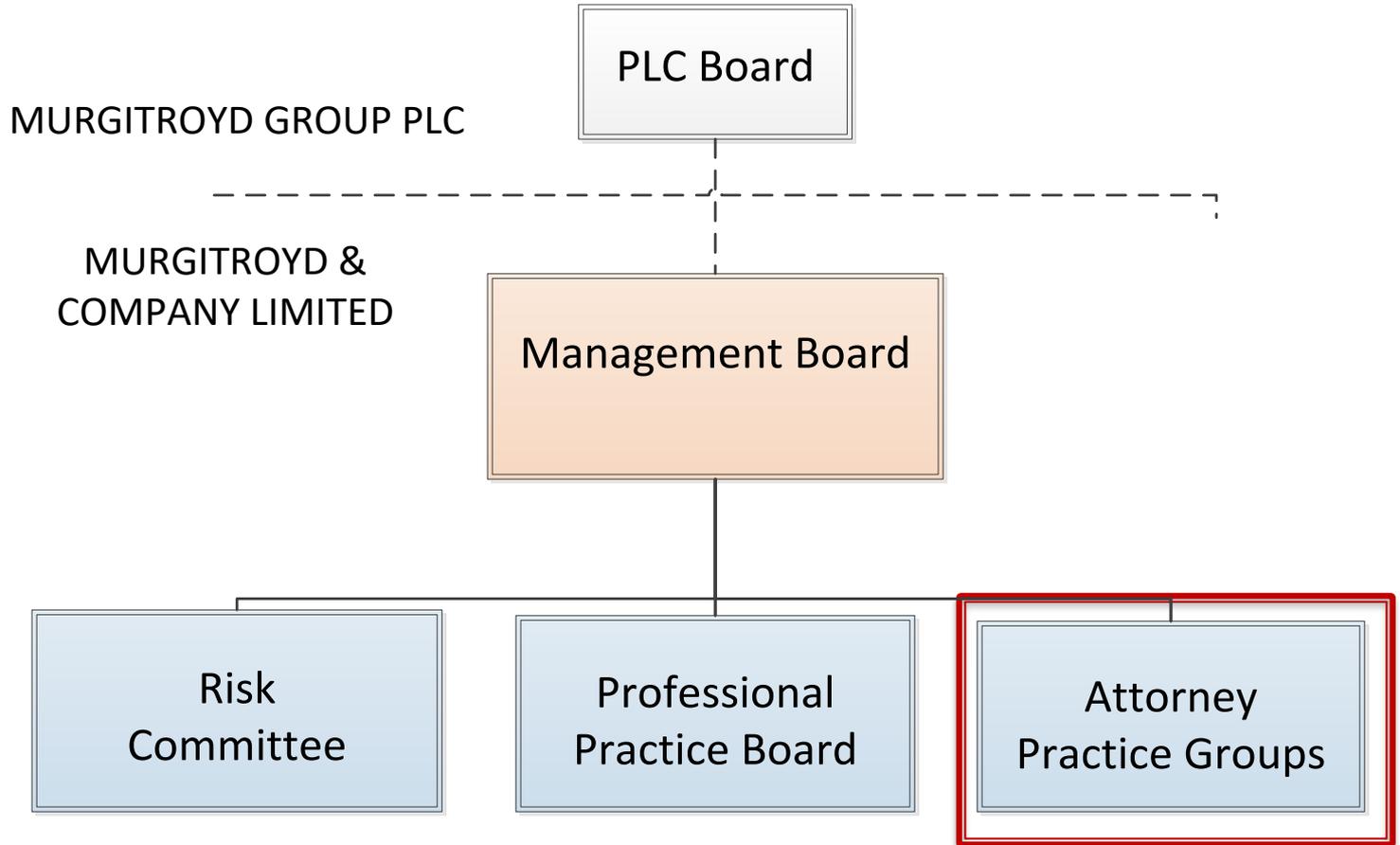


RISK COMMITTEE





ATTORNEY PRACTICE GROUPS





SUMMARY OF CORPORATE STRUCTURE

- Structured with a focus on delivering legal services
- Led by Patent and Trade Mark Attorneys
- One step removed from listed Board



POSITIVES OF LISTING



A ROUTE TO GROWTH AND INVESTMENT

- Provides working capital and shares “paper”
- Use these to fund growth and investment



STAFF INCENTIVISATION

- Staff share options
 - Gives staff the “ownership” mind set
 - Links incentivisation to business growth
 - Win / win for staff and investors



EQUITY RELEASE

- Partners can release equity
 - i.e. if there is no succession plan
- External shareholders can buy and sell stock at any time
- Internal shareholders can buy and sell stock most of the time



ATTRACTING TALENT

- Attractive to attorneys with no interest in having equity stake or partnership
- A familiar corporate environment for attorneys who have worked in-house
- Being acquired can allow partners to re-focus on client work



RETAINING ATTORNEYS

- Shareholders demand for growth creates opportunity for progression
- Open culture and communication
 - clear financial performance and strategic objectives
- Fewer barriers to Director (Partner) level
 - No need to buy equity stake
 - No downside to new Director appointments



LEGISLATIVE COMPLIANCE

- Greater scrutiny around compliance with Legislative and Regulatory requirements
 - Diversity
 - CSR
 - Equal pay provisions
 - UK Bribery Act
- Regulated as an ABS by IPReg



FACTORS TO CONSIDER



STOCK MARKET DEMANDS

- Investors view on cash piles:
 - Invest it on growth
 - Return it via dividend
- Expectation to deliver growth
- Trading updates
- Share price can become divorced from trading



INCREASED COMPLIANCE BURDEN

- Increased cost of running a listed entity
- Increased financial reporting and audit
- Mandatory use of advisors
- Corporate governance standards



CORPORATE NEWS FLOW

- Keep investors fully updated
 - Through good times and bad!
- Competitors aware of your strategy and performance



INTERNAL COMMUNICATION

- Manage internal communication carefully
- Ensure staff are aware when / before wider announcements made to the market



PROFIT AND DIVIDEND TRANSPARENCY

- Full publication of trading and profits
- Management team salaries disclosed
- Return to investors - dividend
- Manage staff earnings expectations



ATTRACTING THE BEST TALENT

- Not a good fit for an aspiring equity partner
- Shareholder dividend reduces return to Attorneys
- Open to takeover and buy out (theoretically)



OUTLOOK



OUTLOOK

- Several IP Firms have listed recently
- A growing global trend??
- Changing investor expectations?



THANK YOU

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